



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

CLEAN ENERGY

IN THE MATTER OF THE OFFICE OF)
CLEAN ENERGY)
)
)

Order
Customer On-Site Renewable
Energy Program

) DOCKET NO. EO04121550

(SERVICE LIST ATTACHED)

BY THE BOARD:

Procedural History

On February 9, 1999 the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49, et. seq. (EDECA or the Act) was signed into law. In accordance with its September 11, 2003 Order, Docket Number EO02120955¹, the Board directed the Office of Clean Energy Staff to assume the role of administrator of the Clean Energy Program. As set forth in the December 22, 2003 Board order Docket No. EO02120955, the Board established the 2004 New Jersey Clean Energy Program funding level and program budget.

On November 8, 2004 and December 2, 2004 the Clean Energy Council (CEC) convened and discussed a proposed "School Rebate Policy" which modifies the existing Office of Clean Energy's Customer On-site Renewable Energy (CORE) program.

In a December 23, 2004 Board Order in Docket No. EO04121550 the Board directed the Office of Clean Energy to undertake certain actions pursuant to the Customer On-Site Renewable Energy Program (CORE).

¹ *I/M/O The New Jersey Clean Energy Program – Recommendations for Administrative and Fund Management, Docket No. EO02120955, Final Order dated September 11, 2003.*

Specifically, among the findings and directives issued by the Board in the December 23, 2004 Order, the Board:

- 1) found the CORE program should be modified to fulfill its intended goals and objectives pursuant to EDECA and the Governor's Renewable Energy Task Force Report which called for 300MW of Class I Renewable energy and 90 MW of photovoltaics (PV) to be installed by 2008;
- 2) established a maximum funding amount of \$2.5 million, per entity, with eligibility for such rebate limited to an aggregate amount not to exceed \$5 million;
- 3) directed the Office of Clean Energy to discuss the maximum rebate amounts with projects already tentatively approved and report back to the Board;
- 4) directed Office of Clean Energy to continue to monitor the CORE program to ensure that the maximum rebate amount and the maximum percentage allowed for CORE rebates does not over-commit the funds available through the Clean Energy Program and to ensure that residential rebates are not delayed;
- 5) directed the Office of Clean Energy to revise the CORE rebate application to administer CORE program funds for public school districts and set forth exemption criteria for rebates that exceed the designated caps; and
- 6) directed the Office of Clean Energy to set forth the definition of the word 'entity' for applicants other than schools, for the purpose of applying the maximum eligibility amounts established within the Order.
- 7) adopted a definition of a public school district as "an entity" for the purposes of determining a CORE rebate.

On April 13, 2005 by Board Order Docket No. EO02120955 the Board approved a rebate methodology for school districts and directed the Office of Clean Energy to revise the CORE application accordingly incorporating that methodology. The Board also expressed the need to clarify and modify the CORE program to preserve the original intent of the program and make best use of limited funds. Consistent with that goal, the Board directed the Office of Clean Energy to continue to monitor this program to ensure that the maximum rebate amount and the maximum percentage allowed for such rebates do not result in an over-commitment of funds available through the New Jersey Clean Energy Program, and to ensure that the residential rebates are not delayed. The Board adopted a definition of public entities other than school districts as entities holding distinct budgetary authority and left the issue for future determination for private sector applicants.

Discussion

After the March 24, 2005 Board agenda meeting, the Office of Clean Energy continued to meet with the Renewable Energy Subcommittee to discuss establishing a recommendation to define an entity other than a public school district or other public entity and the maximum eligibility amounts to be established for each entity. In addition, the Office of Clean Energy continues to meet with the Renewable Energy Committee to discuss the CORE rebate level consistent with the Board's directive to continue to monitor this program to ensure that the maximum rebate

amount and the maximum percentage allowed for such rebates do not result in an over-commitment of funds available through the New Jersey Clean Energy Program, and to ensure that the residential rebates are not delayed. The Renewable Energy Committee presented a set of recommendations to the Clean Energy Council (CEC) on Friday, May 6, 2005. The subcommittee recommended the following:

“We agree with the principle that no one entity should be able to use all the available rebates but oppose the use of unwieldy definitions that would complicate the review process. We recommend that EIN not be used to define an entity and instead recommend that no one entity, as defined by the corporate parent or holding company, can qualify for rebates in excess of \$5 million in a calendar year in that sector. “

The CEC voted to accept and endorse the recommendations of the Renewable Energy Committee. The vote was unanimous of the CEC members present. The Committee’s recommendations are attached.

Pursuant to the Board’s directives, the Office of Clean Energy conferred with the CEC Renewable Energy subcommittee and the CEC recommends that an entity other than a public school district or a public entity be defined as the corporate or public holding company regardless of the number of separate EIN numbers or locations within New Jersey. The staff recommends that the maximum annual funding level for these entities be set at \$5 million per year with a total aggregated maximum not to exceed \$20 million over the 4 year funding level. Staff also recommends the Board approve an exemption to the maximum funding amount per entity per year and in total aggregation over the four-year funding level on a case by case basis, based upon the submittal by the applicant of a detailed description explaining how and why the project meets the below listed criteria. The Office of Clean Energy would present the exemption to the Board for its consideration after review by the Clean Energy Council. Staff recommends adopting the following criteria as forming the basis for granting an exemption to CORE rebate allocation policies: location within a designated smart growth area; and one or more of the following criteria: the creation or retention of jobs in New Jersey; or the assistance in the expansion of economic growth for the entity; or the ability to meet a statewide or regional greenhouse gas commitment; or case specific substantive congestion mitigation of local electric distribution or regional transmission system; or case specific substantive tax relief benefits.

Findings

The Board HEREBY APPROVES defining an entity other than a public school district or a public entity as the corporate or public holding company regardless of the number of separate EIN numbers or locations within New Jersey and HEREBY DIRECTS the Office of Clean Energy to revise the CORE application accordingly, incorporating the definition and maximum limits set forth above.

The Board HEREBY APPROVES the proposed “exemption criteria” set forth in this order and HEREBY AUTHORIZES the Office of Clean Energy to make a recommendation for Board approval or denial of exemptions on a case by case basis, based upon the submission by the applicant, evaluation by the Office of Clean Energy, and review by the Clean Energy Council. Exemptions will only be approved by the Board on a case-by-case basis if the project is consistent with the above criteria and sufficient funds are available in the CORE budget.

The Board HEREBY REAFFIRMS its directive for the Office of Clean Energy to continually monitor the CORE program to insure that the budgets are appropriately maintained.

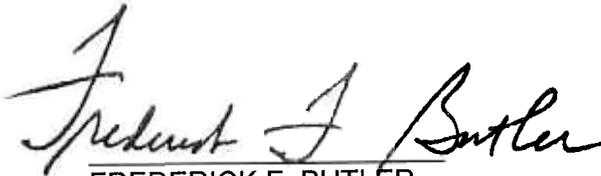
The Board HEREBY REAFFIRMS its directive from the December 23, 2005 Order within this same docket number for the Office of Clean Energy to continue to monitor the rate of CORE rebate applications received, the CORE rebate commitments and CORE rebates actually paid on a monthly basis to ensure that the maximum rebate amount per CORE application per entity and the maximum percentage in any one sector do not result in an over-commitment of funds available through the New Jersey Clean Energy Program, and to ensure that the residential rebates are not delayed.

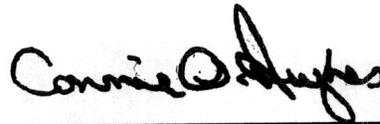
The Board HEREBY DIRECTS the Office of Clean Energy, with the review and advice of the Clean Energy Council, to evaluate and revise the rebate level to ensure the above objectives are maintained in accordance with the four year funding level. When the Office of Clean Energy has established a revised rebate level, OCE shall discuss it with the Board at the next available Board agenda meeting to obtain consent of the revised rebate level.

DATED: 7/7/05

BOARD OF PUBLIC UTILITIES
BY:

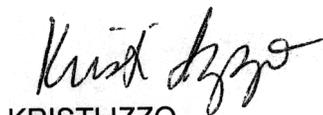

JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

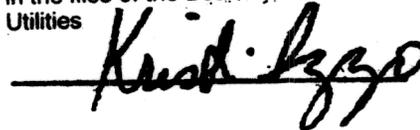

CONNIE O. HUGHES
COMMISSIONER


JACK ALTER
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



MEMO

CEC

FROM: Lyle Rawlings and Steve Gabel, Co-Chairs, Committee on Renewable Energy
Revisions to Core Rebate Levels

DATE: May 4, 2005

At the meetings of the Renewable Energy Committee on April 19, 2005 and April 29, 2005, we discussed at length issues relating to clarifying the level of rebates and regularizing the rebate program. Our goals were to identify rebate levels that (1) will facilitate reaching the RPS goals, (2) work within the approved funding levels and (3) recognize current project economics and recent project application rates. The conclusions and recommendations of the Committee (with the exception of the Division of the Ratepayer Advocate) are as follows:

- Although the amount of rebates approved to date exceeds the budget, experience suggests that somewhere between 30% to 38% of total approved projects do not get completed, with large projects having a 63% drop out rate. In addition there is an expected time lag of at least 6 months for projects greater than 10 kw and at least 12 months for projects less than 10 kw. It is important to structure the rebate approval process so that projects submitted and approved for rebates are likely to be completed. We think this can be accomplished by requiring that (a) residential project rebate requests must be accompanied by a contract signed by the homeowner and the vendor/installer and (b) commercial project rebate requests must be accompanied by a letter of intent signed by the facility owner/operator and the vendor with a fully executed contract submitted to the BPU within 90 days of rebate approval.
- It is important to provide a sufficient rebate to encourage small residential projects and the installers of such projects strongly urge that \$5.25 per unit is not sufficient to make the decision economical for such projects.
- Small projects alone will not cumulate fast enough to allow New Jersey to meet the RPS within the mandated timeframe. It is critical that the rebate structure also support commercial and government entities who are willing to show leadership in the higher usage categories, recognizing that 20% of the CORE funding is reserved for residential-sized projects.
- Because the minimal rebate at the > 700 kW level is only \$0.30 and considered of no practical use in driving an economic decision, we recommend that rebates for solar projects at that level be eliminated. The 700 kw limit will help to support project development and is consistent with the rebate cap of \$2.5 million.

- We propose the rebate schedule set out below with ongoing review and future consideration of rebate changes to be considered December 31, 2005. The rebate level in effect at the time the BPU receives a complete application apply to that application. It is our hope that a future decision to continue the RPS should support a growing market for RECs and allow declining rebates.

We agree with the principle that no one entity should be able to use all the available rebates but oppose the use of unwieldy definitions that would complicate the review process. We recommend that EIN not be used to define an entity and instead recommend that no one entity, as defined by the corporate parent or holding company, can qualify for rebates in excess of \$5 million in a calendar year in that sector.

- The Committee proposes the following Rebate Schedule:

	<10 kW	10-40 kW	40-100 kW	100-500 kW	500-700 kW	>700 kW
Current	\$5.50	\$4.00	\$4.00	\$3.75	\$0.30	\$0.30
Final Committee Proposal	\$5.30	\$4.35	\$3.75	\$3.60	\$3.60	0.00